

SUBCOMMITTEE NO. 3

Agenda

Health, Human Services, Labor & Veteran's Affairs

Chair, Senator Elaine K. Alquist
Senator Alex Padilla
Senator Dave Cogdill



Agenda – Part A

Monday, May 21, 2007

9:00 a.m.

Room 3191

(Eileen Cubanski, Consultant)

Vote-Only Agenda

<u>Item</u>	<u>Department</u>	<u>Page</u>
0530	Health and Human Services Agency-Office of System Integration	2
4170	California Department of Aging	3
4200	Department of Alcohol and Drug Programs.....	4
4700	Department of Community Services and Development.....	6
5160	Department of Rehabilitation	7
5175	Department of Child Support Services	9
5180	California Department of Social Services	12

Discussion Agenda

<u>Item</u>	<u>Department</u>	<u>Page</u>
5180	California Department of Social Services	24
0530	Health and Human Services Agency-Office of System Integration	39

Due to the volume of issues, testimony will be limited. Please be direct and brief in your comments so that other may have the opportunity to testify. Written testimony is also welcomed and appreciated. Thank you for your consideration.

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-324-9335. Requests should be made one week in advance whenever possible.

Vote-Only Agenda

Vote-Only Issue 1: Reduction in the Price Increase – Multiple Departments

Description: The Governor submitted a spring finance letter to the Legislature on March 29, 2007, requesting a 50 percent reduction in the previously proposed price increase for state support of health and human services departments. The following departments are subject to the proposed General Fund reduction:

- 4140 Office of Statewide Planning and Development: -\$2,000
- 4170 Department of Aging: -\$14,000
- 4200 Department of Alcohol and Drug Programs: -\$47,000
- 5160 Department of Rehabilitation: -\$630,000
- 5176 Department of Child Support Services: -\$426,000
- 5180 Department of Social Services: -\$539,000

Staff Recommendation: Approve the requested adjustments.

0530 Health and Human Services Agency – Office of System Integration (OSI)

Vote-Only Issue 1: Statewide Automated Welfare System (SAWS)

Description: In the April 19, 2007 hearing, the Subcommittee discussed funding for the Statewide Automated Welfare System (SAWS), which is comprised of five automation systems and a project management office.

Background: The Statewide Automated Welfare System (SAWS) automates the eligibility, benefit, case management, and reporting processes for a variety of health and human services programs operated by the counties: CalWORKs, Food Stamps, Foster Care, Medi-Cal, Refugee Assistance, and County Medical Services Program. SAWS includes four primary systems managed by local consortia, a statewide time-on-aid tracking system, and a statewide project management and oversight office.

Program	Region
LEADER	Los Angeles County (37% of caseload)
LEADER Replacement	
ISAWS	35 counties (13% of caseload)
ISAWS Migration	Migration of 35 ISAWS counties to C-IV
C-IV	4 counties (13% of caseload)
CalWIN	18 counties (36% caseload)
WDTIP	Statewide time on aid tracking
Statewide Project Mgmt	Statewide project management and oversight

Staff Recommendation: Approve the budget request for LEADER, including LEADER replacement, ISAWS maintenance and operation, C-IV, WDTIP, and project management.

(ISAWS Migration and CalWIN are discussed below in OSI Issue 1.)

Vote-Only Issue 2: Electronic Benefit Transfer (EBT)

Description: The May Revision requests that Item 0530-001-9732 be augmented by \$872,000 and 12.0 limited-term positions to ensure that a new system is in place by the current system's August 2010 contract expiration date. Of the 12.0 requested positions, 4.0 will begin in March 2008 and 8.0 will begin in May 2008. These resources are needed to facilitate the completion of the planning phase and begin system implementation activities. Although staff does not have particular concerns with this request, the Administration needs to work towards complying with the appropriate January and April deadlines for submission of these types of requests, which are inappropriate changes to be making at the May Revision. Future late submissions of these changes may not be able to be approved due to the lack of time for review.

Staff Recommendation: Approve the requested adjustment.

4170 California Department of Aging (CDA)

Vote-Only Issue 3: Alzheimer's Demonstration Project Grant Budget Bill Language

Description: The May Revision requests that language be added to Item 4170-101-0890 and that Item 4170-101-0001 be amended to reflect this change. This request would authorize expenditure of up to \$320,000 Federal Trust Fund to continue the support of home and community-based services for persons afflicted with Alzheimer's disease and their caregivers, upon the approval of the Department of Finance. The California Department of Aging (CDA) has received this grant for 15 years. Although the 2007-08 Governor's Budget assumes continuation of the grant, the CDA expects official notification of receipt of the grant in July 2007.

Staff Recommendation: Amend the requested budget bill language to require notification of the Joint Legislative Budget Committee within 10 days of approval by Department of Finance to the Department of Aging to expend the funds.

Vote-Only Issue 4: Senior Legal Hotline

Description: The statewide Senior Legal Hotline (SLH) efficiently handles a large volume of cases using phone, mail, fax and Internet, freeing time and resources at

overburdened local programs to help more of the neediest with representation and to conduct community education. Its statewide perspective has also led the hotline to assume a central role in coordination, training, and communication among the state's 38 local senior legal providers. It is quick to notice and respond to trends affecting large numbers of California seniors.

Even without state funding until now, California's SLH has become the largest in the country and is considered a national model and leader in quality, efficiency, and innovation. It handled nearly 20,000 cases in 2005-06. With sufficient resources, these numbers would be much higher, but instead they are falling due to lost federal funding, and California seniors are at risk of losing the program altogether.

Staff Recommendation: Provide \$250,000 General Fund to the Senior Legal Hotline. Add a schedule to Item 4710-101-0001 as follows:

(4.5) 97.20.004 Local Projects.....\$250,000

(a) Legal Services of Northern California: Senior Legal Hotline

4200 Department of Alcohol and Drug Programs (ADP)

Vote-Only Issue 5: Funding for Proposition 36, the Substance Abuse and Crime Prevention Act (SACPA)

Description: The Governor's Budget reduced funding for the Substance Abuse and Crime Prevention Act (SACPA) by \$60 million General Fund in 2007-08. Of this \$60 million, \$35 million is proposed to be redirected to provide an increase to the Substance Abuse Offender Treatment Program (OTP). The remaining \$25 million would be one-time General Fund savings. Originally, the Administration stated that it would revise its budget proposal in the May Revision to move the remaining \$60 million in General Fund for SACPA to OTP if the program reforms are not implemented. However, the Administration reversed that position in light of recent legislation regarding prison reform. Nonetheless, the budget continues to reduce overall funding for community substance abuse treatment by \$25 million.

Background: Researchers at the University of California, Los Angeles (UCLA) released a report on the effectiveness of SACPA in April 2006. The UCLA report included three studies that each documented costs and savings in eight areas: prison, jail, probation, parole, arrest and conviction, treatment, health, and taxes. CalWORKs and Child Welfare/Foster Care costs and savings were not included in the study. The researchers used administrative data from state databases for SACPA and non-SACPA participants to measure state and local savings.

Overall, UCLA found a benefit-cost ratio of nearly 2.5 to 1, indicating that \$2.50 was saved for every \$1 in SACPA expenditures. Across the 8 areas assessed, SACPA led to a total cost savings of \$2,861 per offender over the 30-month follow up period. For drug treatment completers, SACPA reflected a benefit-to-cost ratio of about 4 to 1,

despite higher treatment costs for this group, indicating that approximately \$4 was saved for every \$1 spent on a treatment completer in SACPA. Total savings across eight areas was \$5,601 per offender for completers.

Based on the latest survey of counties, the total estimated amount needed to fully fund Proposition 36 is \$265 million.

Staff Recommendation: Add \$60 million General Fund to Proposition 36 to restore funding to the current year level. Maintain the total \$60 million that the Administration has proposed for the Offender Treatment Program. This will bring the total for substance abuse treatment under SACPA and the OTP to a total of \$180 million in 2007-08, \$35 million more than in 2006-07.

Vote-Only Issue 6: California Methamphetamine Initiative (CMI)

Description: The Governor's Budget redirects \$197,000 General Fund from existing funding provided for the California Methamphetamine Initiative (CMI) to provide two limited-term positions to the Department of Alcohol and Drug Programs (DADP) to provide state support to the CMI. The requested positions would work with the consultant to develop the media campaign and conduct additional activities to coordinate, support, and disseminate to counties best practices on the prevention and treatment of methamphetamine abuse.

Background: The Subcommittee originally discussed this request in its March 8, 2007 hearing and held the item open pending submission of a statutorily required methamphetamine prevention plan to the Legislature by April 1, 2007. This report was submitted in early April and is generally consistent with the activities described in this budget request.

Staff Recommendation: Approve as budgeted.

Vote-Only Issue 7: Prison Inmate Aftercare Treatment

Description: The Governor's Budget proposes \$519,000 General Fund and six positions (two half-time limited-term) to license and certify additional drug treatment providers as a result of enactment of Senate Bill (SB) 1453 (Speier, Chapter 875, Statutes of 2006).

Background: SB 1453 requires non-violent prison inmates who participated in drug treatment in prison to enter a 150-day residential aftercare drug treatment program upon their release from prison. Based upon estimates from the California Department of Corrections and Rehabilitation (CDCR), the Department of Alcohol and Drug Programs (DADP) expects that 5,500 parolees annually will be required to participate in an aftercare treatment program. The Subcommittee discussed this request in the March 8, 2007 hearing and held the item open pending updated estimates from the

CDCR at the May Revision. CDCR has not changed their projections for participation in this program.

Staff Recommendation: Approve as budgeted.

Vote-Only Issue 8 Drug Medi-Cal

Description: The May Revision requests that Item 4200-103-0001 be increased by \$8,044,000 and Reimbursements be increased by \$7,924,000 to reflect revised caseload and utilization estimates, as well as a correction to reimbursement rates for the Narcotic Treatment Program (NTP) modality proposed in the Governor's Budget. The Administration determined that a formula component used to develop the 2007-08 NTP rates undercounted the number of NTP clients in the maintenance phase of treatment. This erroneous client count was then applied against cost components of the rate, and as such, understated the appropriate rate reimbursement level. The rate correction represents \$5.3 million General Fund of the requested increase.

The Regular Drug Medi-Cal population is projected to be 193,502 in 2007-08, an increase of 11,876, or 6.5 percent, from the Governor's Budget. In addition to caseload adjustments, the May Revision Estimate projects a net increase in units of service for the program. These increases are a result of expanded treatment capacity and an increase in the number of substance abuse treatment and recovery providers over the last several years.

The May Revision further requests that Item 4200-102-0001 be increased by \$620,000 and Reimbursements be increased by \$620,000 to reflect revised caseload estimates for the Perinatal Drug Medi-Cal population, and increased provider reimbursement rates for the NTP modality. Revised caseload and utilization projections account for \$590,000 of the requested change, and the rate correction represents \$30,000 General Fund. In addition to the rate correction, this change reflects a minor increase in caseload and an increase in average units of service. Caseload is projected to be 9,644 in 2007-08, an increase of 535, or 5.9 percent, from the Governor's Budget.

Staff Recommendation: Approve the requested adjustments.

4700 Department of Community Services and Development (CSD)

Vote-Only Issue 9: Naturalization Services Program

Description: The budget includes \$3.0 million for the Naturalization Services Program (NSP). This program assists legal permanent residents in obtaining citizenship. The Urban Institute estimates that approximately 2.7 million Californians are eligible but

have not applied for citizenship. The Subcommittee originally discussed this issue at the May 3, 2007 hearing.

Background: The NSP funds local organizations that conduct outreach, intake and assessment, citizenship application assistance, citizenship testing and interview preparation. In 2006, the program is expected to assist an average of 12,000 individuals in the completion of citizenship applications. Total funding for the program in 2006-07 is \$3.0 million General Fund. Positive outcomes as a result of NSP and citizenship include improved employment opportunities for citizens, and reduced caseload for state-only programs such as the Cash Assistance Program for Immigrants (CAPI), as citizens may qualify for the federally-funded Supplemental Security Income (SSI) program.

Staff Recommendation: **Provide an additional \$2.0 million General Fund for the Naturalization Services Program.** In light of the bipartisan immigration bill that was introduced last week in the U.S. Senate that would enable more than 12 million illegal immigrants to live and work in the United States legally, it is even more critical than ever to ensure that California's immigrant residents have a path to citizenship.

5160 Department of Rehabilitation (DOR)

Vote-Only Issue 10: Office Building (OB) 10 Relocation Support

Description: The May Revision requests that Item 5160-001-0001 be decreased by \$1,749,000 and Item 5160-001-0890 be decreased by \$136,000. As a result of a decrease in bond payments scheduled for fiscal year 2007-08, the rent costs charged to the Department of Rehabilitation will decrease by \$2,609,000 (\$1,903,000 General Fund). However, the overall reduction will be partially offset by \$724,000 (\$154,000 General Fund) for four months of dual rent payments required as a result of unanticipated moving delays.

The budget proposes an increase of \$4.0 million (\$2.0 million General Fund) for the Department of Rehabilitation (DOR) to furnish, occupy, and operate from OB 10 (721 Capitol Mall) in the summer of 2007. Of the total, \$851,000 is one-time.

The Subcommittee originally discussed this issue in the April 12, 2007 hearing and held the item open pending an updated estimate of the rent costs at the May Revision.

Staff Recommendation: **Approve the requested adjustment.**

Vote-Only Issue 11: Department of Rehabilitation Requirements in the Statutory Subvention Process

Description: In the April 12, 2007 hearing, the Subcommittee discussed a proposal to revise the documents that the Department of Rehabilitation (DOR) provides as part of the statutory subvention process. The Subcommittee directed staff to work with the Department of Finance, the DOR, and the Legislative Analyst's Office (LAO) to revise the budget documents DOR is statutorily required to submit and develop trailer bill language implementing those revisions.

The LAO convened all parties to discuss alternatives for DOR to the existing subvention process and DOR has submitted new tables as a part of the May Revision. However, how to revise the trailer bill language is still being discussed.

Staff Recommendation: Adopt placeholder trailer bill language that reflects the revised information submitted by the Department of Rehabilitation at the May Revision.

Vote-Only Issue 12: May Revision Caseload Adjustments

Description: The May Revision caseload estimates from the Department of Rehabilitation (DOR) reflected no growth in funding between 2006-07 and 2007-08. In large part, this is due to the fact that the large majority of DOR's funding is from the federal Vocational Rehabilitation (VR) grant, which is not expected to change from this year to next.

In addition, DOR funds services for persons with developmental disabilities through the Supported Employment Program (SEP) and Work Activity Program (WAP). The SEP and WAP were provided a rate increase in 2006-07, which led to increased costs and caseloads in the current year. These costs did not reflect a full-year of implementation costs because the rate increases were phased in to providers as new cases came in. In 2007-08 all providers will be receiving the higher rates. However, the DOR estimate does not reflect any increase in SEP or WAP caseloads as a result of the 2006-07 changes and does not reflect the increased costs of full year implementation of the higher rates.

The 2007-08 estimate may be deficient by as much as \$4.4 million due to the flat funding and caseload. Without additional General Fund, the Administration will cover this shortfall by cutting existing services to, and funding used for, DOR VR consumers, and redirecting those funds to the SEP and WAP. However, rather than acknowledge the need to make that difficult choice due to the fiscal situation of the State, it appears that the Administration has chosen simply not to update SEP and WAP caseload information.

Staff Recommendation: Approve the Department of Rehabilitation estimate as budgeted. Adopt placeholder trailer bill language that requires the Department of Rehabilitation to track the exact number of SEP and WAP consumers for 2007-08, how much it costs to serve them, and from what other programs funds were redirected to serve them if the costs exceed the budgeted amount. The DOR shall submit this information to the Legislature on January 10, 2008 and May 15, 2008. The Department of Rehabilitation shall also submit to the Legislature a proposed methodology for projecting caseload and funding growth in the SEP and WAP for 2008-09 and beyond by April 1, 2008.

5175 Department of Child Support Services (DCSS)

Vote-Only Issue 13: Performance Incentive Funding

Description: The proposed budget includes \$68 million (\$23 million General Fund) for Local Child Support Agencies (LCSAs) to backfill for lost Federal Financial Participation (FFP). Beginning October 2007, the federal Deficit Reduction Act (DRA) of 2005 eliminated states' ability to utilize federal performance incentives funds as eligible matching dollars for FFP. In order to retain the current funding level for LCSA administration, \$68 million (\$23 million General Fund) is needed for 2007-08. This represents nine months of backfill funding. For 2008-09, the Department of Child Support Services (DCSS) will request \$90 million (\$31 million General Fund) to replace the lost federal match of performance incentives. The Subcommittee originally discussed this request on March 15, 2007 and left the item open pending the May Revision.

Staff Recommendation: Approve as budgeted.

Vote-Only Issue 14: Continue Suspension of Health Insurance Incentives and Improved Performance Incentives Programs

Description: The budget proposes trailer bill language to continue the suspension of two programs, the Health Insurance Incentives and the Improved Performance Incentives programs, through 2007-08. These programs were part of the Child Support reform legislation passed in 1999. The Health Insurance Incentives program paid LCSAs \$50 for each case for which they obtained third-party health insurance coverage or insurance for child support applicants or recipients. The Improved Performance Incentives program provided the ten best performing LCSAs with five percent of the amount they collected on behalf of the state for public assistance payment recoupments. The funding received by the LCSAs was required to be reinvested back into the Child Support Program. These programs were suspended for four years beginning 2002-03. The Department of Finance notes that LCSAs are required by

DCSS regulations to seek third-party health insurance coverage as part of their normal business processes.

Staff Recommendation: Approve the proposed trailer bill language.

Vote-Only Issue 15: Various Spring Finance Letter Requests

Description: The Department of Child Support Services (DCSS) submitted the following April Finance Letter requests, which the Subcommittee originally discussed on May 3, 2007. The Subcommittee held the items open pending receipt of contract information from the DCSS. That information was submitted to and analyzed by Subcommittee staff.

A. California Child Support Automation System (CCSAS) Functionality

DCSS submitted an April Finance Letter requesting position authority for nine permanent positions and 2 one-year limited-term positions to address workload associated with implementation of the California Child Support Automation System (CCSAS). The DCSS proposes to redirect savings of \$1,161 million (\$394,000) from existing contracts to fund the positions.

B. Recovery of Non-Sufficient Funds (NSF)

DCSS has submitted an April Finance Letter requesting position authority for seven permanent positions and 3 one-year limited-term positions for the research, analysis, and processing of Non-Sufficient Funds (NSF) returned items. The DCSS proposes to redirect \$872,000 (\$296,000 General Fund) in savings from existing contracts to fund the positions and administrative funds currently provided to Local Child Support Agencies (LCSAs).

C. State Distribution Unit (SDU) Bank Exceptions

DCSS has submitted an April Finance Letter requesting position authority for two permanent positions and 1 one-year limited-term position to perform increased accounting activities for analyzing and processing bank exceptions. The DCSS proposes to redirect \$288,000 (\$98,000 General Fund) in savings from existing contracts to fund the positions.

D. Information Security Office

DCSS has submitted an April Finance Letter requesting position authority for six permanent positions to expand the Information Security Program. The DCSS proposes to redirect \$677,000 (\$230,000 General Fund) in savings from existing contracts to fund the positions.

E. Centralized Financial Worker

DCSS has submitted an April Finance Letter requesting position authority for 3 two-year limited-term positions to manage, maintain, and resolve suspended collections to financial data. The DCSS proposes to redirect \$250,000 (\$85,000 General Fund) in savings from existing contracts to fund the positions.

Staff Recommendation: Approve the requested adjustments in A. through E. with a permanent redirection of funds from Items 5175-002-0001 and 5175-002-0890 to Items 5175-001-0001 and I5175-001-0890.

Vote-Only Issue 16: California Child Support Automation System (CCSAS) Federal Certification

Description: The May Revision proposes that Item 5175-490, which was requested to be added in a Finance Letter dated March 29, 2007, be revised to increase the proposed reappropriation authority by \$9.9 million, for total authority of \$49,702,000. These funds would be reappropriated from unspent 2005-06 appropriations. The funds would be used for various CCSAS changes related to federal certification of the system. The language also would allow the Department of Child Support Services to reappropriate additional unspent funds from 2004-05, 2005-06, and 2006-07 to cover further costs associated with implementation of the CCSAS and obtaining federal certification, after a 30-day notification to the Legislature.

Staff Recommendation: Approve the reappropriation of unspent funds from the 2004-05 and 2005-06 appropriations, but delete the reappropriation language for 2006-07. The amount of the 2006-07 funds that will be unspent is unknown and the reappropriation request is premature.

Vote-Only Issue 17: Federal Dispute Resolution Grant

Description: The May Revision requests that Item 5175-101-0890 be increased by \$200,000 and that Item 5175-101-0001 be amended to reflect an updated schedule for the federal dispute resolution grant. Although there is no net change to the total expenditures for this grant program, this change represents a shift in federal authority of unspent 2006-07 funds to 2007-08 and 2008-09. This change is the result of pilot counties taking longer than anticipated to implement dispute resolution programs.

Staff Recommendation: Approve the requested adjustment.

Vote-Only Issue 18: CCSAS State Distribution Unit (SDU)

Description: The May Revision requests that Item 5175-101-0001 be decreased by \$3,033,000 and that Item 5175-101-0890 be decreased by \$3,874,000 to reflect changes in costs related to the CCSAS SDU. This includes a decrease of \$7,008,000 (\$3,033,000 General Fund) for Service Provider payments to reflect lower than estimated transaction volume and an increase of \$101,000 federal funds for reimbursement to the Franchise Tax Board for increased staff costs.

Staff Recommendation: Approve the requested adjustments.

Vote-Only Issue 19: CCSAS Child Support Enforcement (CSE) System

Description: The May Revision requests that Item 5175-101-0001 be decreased by \$640,000 and that Item 5175-101-0890 be decreased by \$1,240,000. This change reflects a decrease of \$1,944,000 (\$662,000 General Fund) in CSE Maintenance and Operations cost for the local child support enforcement agencies (LCSAs). It also reflects an LCSA request to increase funding by \$65,000 (\$22,000 General Fund) due to increased costs for maintenance support.

Staff Recommendation: Approve the requested adjustments

5180 Department of Social Services (DSS)**Vote-Only Issue 20: May Revision Caseload Adjustments**

Description: The May Revision proposes adjustments in funding to reflect caseload updates for CalWORKs, Foster Care, Adoptions Assistance, IHSS, SSI/SSP, Food Stamps Administration, and Child Welfare Services.

Background: The May Revision proposes a net increase of \$7,512,000 (increases of \$4,046,000 General Fund, \$69,648,000 Reimbursements, and \$9,000 Emergency Food Assistance Fund, partially offset by decreases of \$65,478,000 Federal Trust Fund and \$713,000 Child Support Collections Recovery Fund), due to the impact of caseload changes since the Governor's Budget. The May Revision reflects the following average monthly caseload in 2007-08, compared to 2006-07 caseload:

- **CalWORKs:** 459,000 cases (0.6 percent decrease)
- **Non-Assistance Food Stamps:** 577,000 cases (5.5 percent increase)
- **SSI/SSP:** 1,250,000 cases (1.8 percent increase)
- **In-Home Supportive Services (IHSS):** 389,000 cases (5.1 percent increase)
- **Foster Care:** 74,000 cases (0.2 percent increase)

- **KinGAP:** 14,000 cases (2.5 percent decrease)
- **Adoptions Assistance Program (AAP):** 77,000 cases (6.0 percent increase)
- **Child Welfare Services:** 160,000 cases (0 percent change)

Program	Item	Change Since Governor's Budget
CalWORKs / Kin-GAP	5180-101-0001	\$11,862,000
	5180-101-0890	-\$51,100,000
	5180-601-0995	\$51,000
Foster Care	5180-101-0001	\$21,210,000
	5180-101-0890	-\$9,870,000
	5180-101-8004	-\$713,000
	5180-141-0001	-\$316,000
	5180-141-0890	-\$116,000
Adoption Assistance Program	5180-101-0001	-\$8,897,000
	5180-101-0890	-\$11,588,000
Supplemental Security Income/State Supplementary Payment (SSI/SSP)	5180-111-0001	-\$45,570,000
In-Home Supportive Services (IHSS)	5180-111-0001	\$37,310,000
	5180-611-0995	\$69,217,000
Child Welfare Services (CWS)	5180-151-0001	\$8,261,000
	5180-151-0890	-\$39,674,000
	5180-651-0995	-\$550,000
Other Assistance Payments	5180-101-0001	-\$2,516,000
	5180-101-0122	\$9,000
	5180-101-0890	\$1,647,000
County Administration and Automation Projects	5180-141-0001	-\$764,000
	5180-141-0890	-\$6,854,000
	5180-641-0995	\$735,000
Title IV-E Waiver	5180-153-0001	-\$15,984,000
	5180-153-0890	\$49,795,000
Remaining DSS Programs	5180-151-0001	-\$550,000
	5180-151-0890	\$2,282,000
	5180-651-0995	\$195,000

Staff Recommendation: Approve the May Revision adjustments in funding due to caseload updates (adjusted as appropriate for actions taken elsewhere in the agenda), and adopt \$5.4 million General Fund savings in the Cash Assistance Program for Immigrants and \$3.4 million General Fund savings in Child Welfare Services due to revised caseload estimates identified by the Legislative Analyst's Office.

Vote-Only Issue 21: Regional Market Rate Adjustment for California Work Opportunity and Responsibility to Kids (CalWORKs) Child Care

Description: The May Revision requests an increase of \$36,542,000 Federal Trust Fund for CalWORKs Stage 1 child care to reflect increased child care provider costs resulting from the revised regional market rate ceilings implemented in 2006-07. Recent data provided by counties indicates an overall increase in the cost per case primarily due to increased provider rates.

Staff Recommendation: Approve the requested adjustment.

Vote-Only Issue 22 Freeze Response Impact on CalWORKs and the California Food Assistance Program

Description: The May Revision requests an increase of \$6,482,000 (\$1,080,000 General Fund and \$5,402,000 Federal Trust Fund) to reflect an increase in CalWORKs and California Food Assistance Program (CFAP) benefits related to last winter's freezing conditions. The establishment of regional emergency intake centers allowed families affected by the freeze to timely apply for cash and food assistance. This resulted in additional families entering the CalWORKs, federal Food Stamp, and CFAP programs. The May Revision also requests a corresponding increase of \$158,000 (\$108,000 General Fund and \$50,000 Federal Trust Fund) to reflect increased county administration costs resulting from caseload growth in the federal Food Stamp and CFAP programs due to the statewide response to last winter's freezing conditions.

Staff Recommendation: Approve the requested adjustments.

Vote-Only Issue 23 Food Bank Funding for Freeze

Description: The May Revision requests an increase of \$4,445,000 General Fund to fund local food banks and Foodlink, a private organization that stores and delivers food during emergencies, to provide relief to Californians from the effects of last winter's severe weather conditions. This funding will enable these entities to pay the storage and distribution costs for the more than 1,500 truck loads of anticipated federal

commodities. The May Revision also requests that Budget Bill language be added to Item 5180-101-0001 to allow this funding to reimburse food banks and Foodlink for costs incurred in 2006-07 responding to the freeze, along with any costs incurred in 2007-08.

Staff Recommendation: Adopt the requested adjustment and budget bill language. Adopt placeholder trailer bill language that would permit any of these funds that are unused for their stated purpose to be used for other emergency food needs in the State.

Vote-Only Issue 24: Erosion of In-Home Supportive Services Quality Assurance Savings

Description: The May Revision requests an increase of \$149,222,000 (\$48,497,000 General Fund and \$100,725,000 Reimbursements) to reflect a lower level of Quality Assurance savings due to a revised methodology based on actual implementation data.

Staff Recommendation: Approve the requested adjustment. Adopt Supplemental Report Language to require the Department of Social Services (DSS) to report to the Legislature quarterly on IHSS utilization data by county, task, and client level. The data will also report the number of exceptions by county, task, and client level. Adopt budget bill language to require the DSS to report at budget hearings on the impact of the IHSS QA regulations.

Vote-Only Issue 25: Update Cost of SSI/SSP Cost-of-Living (COLA) Adjustment

Description: The May Revision requests a decrease of \$32,013,000 General Fund to update the cost to provide the January 2008 state SSI/SSP cost-of-living adjustment (COLA), as proposed in the Governor's Budget. Primarily, this decrease is due to updated escalation factor projections on which the COLA is based.

Background: At the April 19, 2007 hearing, the Subcommittee approved \$171.6 million to fund an SSP COLA of 3.7 percent and approved the pass through of \$34.4 million for the federal SSI COLA of 1.2 percent. The Subcommittee has already taken the action that is proposed in the May Revision to reduce the SSP COLA to 3.7 percent to reflect the final calculation of the COLA index. However, the amount needed to fully fund the SSI/SSP COLAs will need to be revised to reflect the May Revision caseload numbers.

Staff Recommendation: Amend the requested adjustment to conform the Subcommittee's previous action to approve the 3.7 percent SSP COLA and the 1.2 percent SSI COLA.

Vote-Only Issue 26: Semi-annual Reporting Automation Costs

Description: The May Revision requests an increase of \$17,151,000 (\$3,664,000 General Fund and \$13,487,000 Federal Trust Fund) to reflect one-time automation costs necessary to implement a semi-annual reporting (SAR) system for the CalWORKs, federal Food Stamp, and CFAP programs in 2008-09. To minimize disruption to recipients, automation efforts necessary to transition from the current quarterly reporting system to a SAR system would need to begin at least one year prior to the effective date of implementation, which is scheduled to be January 1, 2009.

Staff Recommendation: Approve the requested adjustment and the following budget bill provisional language in Item 5180-141-0001:

Of the funds appropriated in this item, \$17,151,000 is for automation changes in the four Statewide Automated Welfare System (SAWS) consortia for the purpose implementing a semi-annual reporting system. These funds may not be expended unless all of the following conditions are met: (1) the Legislature enacts a program of semi-annual reporting for the CalWORKs, Food Stamps, and California Food Assistance programs; (2) related automation project documents, as required by the state administrative manual, are approved by the Department of Finance; and (3) the Department of Finance notifies the Legislature of its approval.

Vote-Only Issue 27: CWS/Case Management System Federal Cost Allocation Plan

Description: The May Revision requests an increase of \$799,000 (increases of \$1,552,000 Federal Trust Fund and \$3,386,000 Reimbursements, partially offset by a decrease of \$4,139,000 General Fund) to reflect a change to the Cost Allocation Plan (CAP) budgeting methodology as required by the federal Department of Health and Human Services' Division of Cost Allocation. This required CAP change also results in an increase of \$12,345,000 federal Temporary Assistance for Needy Families (TANF) funding and a corresponding decrease in federal Title IV-E funding.

Staff Recommendation: Approve the requested adjustment.

Vote-Only Issue 28: Title IV-E Waiver Adjustment

Description: The May Revision requests a decrease of \$19,114,000 (\$3,994,000 General Fund and \$15,120,000 Federal Trust Fund) due to the budgeting methodology reflecting updated data for the Title IV-E Waiver. The Title IV-E Waiver uses a "capped allocation" strategy to block grant federal Title IV-E foster care funds for the participating counties of Los Angeles and Alameda. This strategy permits the flexible use of these funds on early intervention and prevention services in order to reduce the reliance on

out-of-home care, promote reunification, and address required state and federal outcomes for child safety, permanence, and well-being.

Staff Recommendation: Approve the requested adjustment. Adopt budget bill language to require the Department of Social Services (DSS) to collaborate with stakeholders on the Title IV-E waiver evaluation timeline, components, and execution effective upon enactment of the Budget Act.

Vote-Only Issue 29: CalWORKs Reserve for Contingencies

Description: The May Revision requests that language in Item 5180-403 be modified to decrease the total TANF reserve from \$150,103,000 to \$140,336,000. The TANF reserve is available for unanticipated needs in any program for which TANF Block Grant funds are appropriated, including CalWORKs benefits, employment services, county administration, and child care costs. The decrease in the TANF reserve reflects a net increase in 2006-07 and 2007-08 in TANF expenditures. These expenditures, which are partially offset by a decreased CalWORKs caseload projection, primarily consist of increased CalWORKs child care costs due to revised regional market provider rates implemented in 2006-07; the revised CAP budgeting methodology for CWS/CMS as required by the federal government; and proposed semi-annual reporting automation costs.

Staff Recommendation: Approve the requested adjustment.

Vote-Only Issue 30: Reappropriation Authority for CalWORKs Performance Incentives

Description: The May Revision requests that Item 5180-492 be added to authorize the reappropriation of unspent CalWORKs performance incentive funds previously allocated to counties in 2002-03. The reappropriation is necessary to ensure that the funds provided to counties pursuant to Welfare and Institutions Code Section 10544.2 continue to be available for expenditure.

Staff Recommendation: Approve the requested adjustment and budget bill language.

Vote-Only Issue 30: *Conlan v. Shewry*

Description: The May Revision requests an increase of \$110,000 (\$55,000 General Fund and \$55,000 Reimbursements) for the establishment of 1.0 two-year limited term position to comply with the *Conlan v. Shewry* court decision. This position is expected to provide continuity in such tasks as policy development, claims processing procedures, county oversight, and technical assistance for In-Home Supportive

Services recipients. The May Revision also requests that Budget Bill language in Item 5180-111-0001 authorizing the transfer of funds to state operations to address the *Conlan v. Shewry* lawsuit be amended to allow the Department of Social Services (DSS) to administratively establish positions to manage resulting workload.

Staff Recommendation: Approve the requested fiscal adjustment. Amend the budget bill language to also requires the Department of Finance to report to the Legislature on the amount to be transferred and the number of positions established.

Vote-Only Issue 32: Direct Deposit Implementation

Description: At the April 19, 2007 hearing, the Subcommittee received an update from the Department of Social Services (DSS) on the implementation of direct deposit to all In-Home Supportive Services (IHSS) caregivers. Although IHSS is a county-administered program, the State Controller makes the payment for IHSS providers by issuing individual checks to each provider. Currently, only a small number of IHSS clients who receive "advance pay" receive their funds through a direct deposit payment.

The 2006-07 Budget Act requires DSS to expand its direct deposit system to all IHSS caregivers. Although progress is being made, this expansion has taken significantly longer than originally projected.

Staff Recommendation: Adopt Supplemental Reporting Language requiring the DSS submit a schedule by August reflecting monthly progress tasks and then a monthly status letter against that schedule with a representative from the Legislative Analyst's Office and the Department of Finance, if desired, attending a quarterly status meeting.

Vote-Only Issue 33: Electronic Benefit Transfer Reprocurement

Description: The May Revision requests an increase of \$1,462,000 (\$559,000 General Fund and \$903,000 Federal Trust Fund) for Electronic Benefit Transfer reprocurement planning and implementation activities. The Subcommittee also approved the Governor's Budget request for \$863,000 (\$278,000 General Fund) for reprocurement activities at the May 3, 2007. Although staff does not have particular concerns with this request, the Administration needs to work towards complying with the appropriate January and April deadlines for submission of these types of requests, which are inappropriate changes to be making at the May Revision. Future late submissions of these changes may not be able to be approved due to the lack of time for review.

Staff Recommendation: Approve the requested adjustment.

Vote-Only Issue 34: County Equipment Replacement and User Support

Description: The Governor's Budget and the May Revision does not include funding for hardware replacements for the CWS/CMS, CalWIN, C-IV, and LEADER statewide automation systems and currently only includes placeholder funding for help desk staff to support CalWIN. The total estimated costs to fund the hardware replacement and help desk staff is \$27.8 million (\$11.3 million General Fund). The Subcommittee originally discussed this issue at the April 19, 2007 hearing.

Background: Beginning in 2006-07, the Administration established a new policy eliminating local equipment replacement funding from the statewide system budgets and funded county CalWIN help staff well below recommended levels. The Legislature took action to restore funding of \$16.8 million (\$7.4 million General Fund) for CWS/CMS and CalWIN equipment replacement and for CalWIN help desk staff; however, the Governor vetoed this funding from the final budget. The Administration's proposed 2007-08 budget again excludes funding for equipment replacement and includes only placeholder funding levels for the CalWIN help desk staff.

The Legislative Analyst's Office (LAO) notes that the Administration's policy makes sense for systems that are web-based, where the operation of the system is not reliant on local equipment. However, in the "client-server" environment, where the system is dependent upon local equipment that is obtained specifically to operate the system, the costs of replacement equipment should be funded as part of maintenance and operation for the system. The CWS/CMS, CalWIN, and existing LEADER systems are client-server based. Staff also notes that funding for equipment replacement has never been provided to counties as part of their administrative funding. To expect them to absorb replacement costs now within their existing administrative budgets is, in effect, another budget cut.

Staff Recommendation: Provide \$27.8 million (\$11.3 million General Fund) for hardware replacements for the CWS/CMS, CalWIN, C-IV, and LEADER statewide automation systems and for help desk staff to support CalWIN.

Vote-Only Issue 35: Adult Protective Services

Description: At the April 19, 2007 hearing, the Subcommittee discussed the Adult Protective Services (APS) Program, demand for APS services, and the underfunding of the program. The proposed budget includes \$123.6 million (\$61.3 million General Fund) for 2007-08, an increase of five percent reflecting higher federal fund levels. The state funding level for APS has remained unchanged since 2002-03, while demand for services increases.

Staff Recommendation: Provide a \$10 million General Fund augmentation to the Adult Protective Services Program.

Vote-Only Issue 36: Private Adoption Agency Reimbursement Program (PAARP)

Description: The Private Adoption Agency Reimbursement Program (PAARP) provides reimbursement payments to private adoption agencies for expenditures associated with the adoption of special needs children. The proposed budget includes \$10.4 million (\$5.6 million General Fund) for PAARP for 2007-08, the same funding level as has been provided for the past seven fiscal years.

Background: At the March 15, 2007 hearing, the Subcommittee approved additional resources for DSS for the support of adoption activities. There was no augmentation proposed either in the Governor's Budget or the May Revision for local adoption services.

According to DSS data, non-profit private adoption agencies finalized 31 percent of all foster care adoptions in the past year. These agencies want to finalize more adoptions but they are limited in their growth due to the limited funding. Costs have increased due to several factors, including increased costs to recruit adoptive parents, concurrent planning efforts used for foster care children, and increases in basic operating costs. According to the DSS information, there have been no new applications by adoption agencies to participate in the PAARP Program in the past three years and five agencies have dropped out in the past year.

Research consistently shows the benefits to foster care children and the State when foster care children are adopted. Adoption of a child from foster care saves the State about \$3,900 per year for each year the child would have otherwise been in foster care. Foster care children who are adopted are less likely to become teen parents, abuse alcohol and drugs, be suspended or expelled from school, be incarcerated, and be unemployed.

Staff Recommendation: Provide a \$2.0 million General Fund augmentation to the Private Adoption Agency Reimbursement Program to increase the PAARP reimbursement rate.

Vote-Only Issue 37: Licensing Reform Automation

Description: The budget requests \$1.7 million (\$1.5 million General Fund) and ten positions for the Department of Social Services (DSS) to begin a project to upgrade its information technology systems supporting the licensing program. Although already identified as a need in DSS' IT Strategic Plan, this proposal also responds to findings of deficiencies in enforcement and inadequate program oversight and accountability in an audit of DSS' efforts to rebuild the child care program completed in May 2006 by the Bureau of State Audits (BSA). This IT project is expected to take two years to complete.

Background: The Subcommittee originally heard this request in the April 19, 2007 hearing but held the item open pending the provision of a report from DSS due on April 1, 2007, on the cost to track key information related to enforcement activities with noncompliant facilities. The Subcommittee also requested information be provided to legislative staff and the LAO on the estimated time and cost to complete each of the components of the IT Strategic Plan. The DSS still has not submitted the April 1 report to the Legislature, but did respond to Subcommittee staff with high level cost information related to the IT Strategic Plan.

Staff Recommendation: Approve the budget request. Reduce Item 5181-001-0001 by \$1.675 million and add the following provision:

“In addition to the amount appropriated in this item, the Department may spend up to \$1,675,000 to implement its Licensing Reform Automation proposal, subject to the following condition. The Community Care Licensing public website pages which display individualized licensing information about providers, shall display, in addition to existing information, any adverse administrative actions pending against a provider’s license. These funds may not be expended until the Department of Social Services notifies the Legislature of how they intend to display this new information.

The department shall update a provider’s license status on this public display to “Licensed with Compliance Concerns” when there is any adverse action in process against the provider. The department shall update a provider’s license status on this public display to “Probation” when the provider has been placed on probation as the result of an administrative action.

This condition shall be met by the time of the completion of the proposed automation project.”

Vote-Only Issue 38: Temporary Assistance Program (TAP)

Description: The budget proposes trailer bill language that would delay implementation of the Temporary Assistance Program (TAP) indefinitely at the discretion of the Director of the Department of Social Services (DSS).

Background: The 2006-07 budget trailer bill established TAP as a non-MOE state-funded program that would provide CalWORKs-level grants and supportive services to CalWORKs clients who are exempt under state law from work participation requirements. The trailer bill established April 1, 2007 as the implementation date for TAP, but allowed DSS to request an extension of the implementation date with a letter to the Joint Legislative Budget Committee (JLBC). On January 19, 2007, DSS notified the JLBC that TAP implementation will be indefinitely delayed due to federal child support distribution rules and their effect on CalWORKs benefits.

Staff Recommendation: Revise the proposed trailer bill language to delay the implementation date from the current October 1, 2007 to April 1, 2009.

Vote-Only Issue 39: State Support for CalWORKs

Description: The budget includes two requests for resources for the Department of Social Services (DSS) to support TANF reauthorization and AB 1808 activities. The Subcommittee originally discussed these requests at the March 29, 2007 hearing.

1. **Support for TANF Reauthorization.** The budget requests \$2.2 million in federal fund authority and 20 positions for DSS to support data collection for federal work participation in each county, including verification of data and reporting procedures, and to perform oversight and field monitoring of county procedures and case documentation for verification of recipient participation hours at the county level. These positions are intended to improve monitoring and measurement of the performance of counties to meet new federal data quality assurance mandates.
2. **Support for AB 1808 Activities.** The budget requests \$832,000 in federal fund authority and seven limited-term positions for DSS to hold regular performance outcome measurement meetings with the counties to highlight best practices and identify obstacles to performance, and conduct county peer/state reviews to assist counties in improving work participation rates and implementation of the CalWORKs program. The DSS request also includes \$250,000 to fund a contract with a consultant to design, develop, and implement a statewide performance indicator system for the CalWORKs program in the counties.

Staff Recommendation: Reject the requested positions and funding.

Vote-Only Issue 40: Enhanced Kin-GAP Clean-up Issues

Description: The Enhanced Kin-GAP program was established in the 2006 budget trailer bill as a voluntary alternative to the existing Kin-GAP program. The goals of the Enhanced Kin-GAP are the same as those of the “regular” Kin-GAP Program, but the eligibility is expanded to include certain probation youth who have been living with a relative for at least twelve months. As with “regular” Kin-GAP, the Enhanced Kin-GAP rates are also equal to 100 percent of the basic foster care rate for children placed in a licensed or approved home, but are increased by a clothing allowance and, if eligible, by a specialized care increment. These rate adjustments provide relative caregivers parity with the amounts that foster families receive.

There are two issues requiring legislative clean-up.

1. **County Sharing Ratio for the Clothing Allowance:** The trailer bill lacked sufficient clarity on the 100 percent General Fund share of the state clothing allowance add-on to Kin-GAP.

2. Statutory Exclusion from Clothing Allowance: Three counties, Tehama, Plumas, and Colusa, are excluded by statute from providing the state clothing allowance. Adding these counties would cost less than \$15,000 General Fund per year.

Staff Recommendation: Provide \$750,000 General Fund to fund the state clothing allowance at 100 percent and to permit the three counties to receive the clothing allowance. Adopt placeholder trailer bill language to effect these changes.

Discussion Agenda

5180 Department of Social Services (DSS)

DSS Issue 1: California Work Opportunity and Responsibility to Kids (CalWORKs) Program

Background: At its March 29, 2007 hearing, the Subcommittee thoroughly discussed and heard extensive testimony on the Administration's CalWORKs budget proposals for 2007-08. The May Revision continues to include these proposals.

Work Participation Rate (WPR) Update: As discussed in the March 29 hearing, the calculation of the work participation rate is a complex mix of work participation performance, maintenance-of-effort (MOE) expenditures, and caseload estimates. The May Revision reduces the estimated increase in work participation resulting from the Administration's proposals to impose full-family sanctions and restrict safety net grants to 11.25 percent once fully implemented, compared to 13 percent in the Governor's Budget. Regardless, the Administration's proposals would still not bring California's work participation rate for federal fiscal year (FFY) 2007 into compliance, and the Legislative Analyst's Office (LAO) continues to project that enactment of the Administration's proposals are not necessary for California to meet the required work participation rate for 2008. However, the amount of the work participation rate surplus has dropped to one percent from two percent based on the latest estimate of the base participation rate.

The LAO's latest analysis also notes that the State's non-compliance with the required work participation rate in FFY 2007 could result in non-compliance in FFY 2009, even though California will be compliant in FFY 2008. This is because the non-compliance in FFY 2007 increases the State's MOE requirement by \$180 million in FFY 2008. Although California will not have a problem meeting this increased MOE requirement, it will reduce the MOE caseload reduction credit applied to FFY 2009 by 4.8 percentage points. All other things being equal, California would then be 3.8 percentage points below the required federal work participation rate. It is premature, however, to assume that the reforms and strategies enacted in the 2006-07 Budget Act will not yield higher work participation rates. The significant efforts underway in the counties must be given an opportunity to work.

Issue 1A: Full-Family Sanctions, Safety Net Grants, and Child-Only Grants

Description: The May Revision continues to propose imposing full-family sanctions, restricting safety net grants, and eliminating grants for children of CalWORKs-ineligible parents.

- **Impose Full-Family Sanctions:** The Administration proposes to impose a "full-family" sanction whereby a family's entire grant is eliminated for those families

with an adult who does not comply with CalWORKs requirements for more than 90 days. This proposal would result in a General Fund cost of \$2.0 million (down from \$11.4 million in January) due to the costs associated with child care for sanctioned cases who begin working (or participate in an allowable non-work activity) as a result of the change. The Administration also proposes to count the time the adult is sanctioned toward the 60-month lifetime CalWORKs limit, which may be reasonable if the State knew why recipients are in sanction status. The imposition of full-family sanctions is estimated to increase California's work participation rate by six percent.

- **Restrict Safety Net Grants:** The Administration proposes to eliminate safety net grants for those children whose parents do not work sufficient hours to meet federal work participation requirements after the adult recipient has exhausted his or her 60 cumulative months of cash assistance (i.e., "times-out"). This proposal assumes that only 31 percent (up from 26 percent in January) of the safety net caseload will meet the work participation requirements and remain eligible for safety net grants. The proposal would be implemented in November 2007 and would result in General Fund savings of \$159.5 million (down from \$175.8 million in January). This proposal is estimated to increase the work participation rate by 5.25 percent.
- **Eliminate Grants for Children of CalWORKs Ineligible Parents:** The Administration proposes to eliminate, after 60 months, grants to children whose parents are not eligible for CalWORKs to be consistent with the proposal to restrict safety-net grants. These parents are ineligible because they are unqualified non-citizens or drug felons. The children include U.S. citizen children of undocumented non-citizens. This proposal would be implemented in November 2007 and result in General Fund savings of \$143.4 million (down from \$160 million in January). There would be no impact to the state's work participation rate because these adults are already excluded from the work participation calculations.

Although the Administration continues to contend that these proposals will increase the work participation of CalWORKs recipients, the Administration has offered no new information or evidence to support this contention. As discussed in the March 29 hearing, there is no consensus in the research community on whether stronger sanctions correlate with better employment outcomes for families. A 2006 comprehensive review of sanctions studies nationwide by the West Coast Poverty Center, found that there is some evidence suggesting that sanctions can promote compliance with TANF work requirements. However, that research shows that it is the *level of enforcement* of the sanction policy and *not the rate* of the sanction that appeared to promote compliance. They found that there is no direct evidence about whether sanctions are effective at promoting participation in work activities and that there is no consensus on whether there is sufficient evidence to make a determination about the relative merits of partial and full-family sanctions. The experience of Texas with the full-family sanction policy it adopted in 2003 is also telling. Although the non-compliance rate dropped significantly, an analysis by the Center for Public Policy

Priorities in Texas indicates that it has been achieved by forcing families off the program, not by engaging them in work activities.

There is no existing research demonstrating even a correlation between the elimination of safety net benefits leading to increased work participation. Based on a survey of CalWORKs leavers conducted by the Welfare Policy Research Program, almost half (47 percent) are already employed and 24 percent are meeting federal work requirements. It is not known how far from meeting federal work requirements the other 23 percent are. Learning more about why these people are not working enough to meet the federal work participation requirements and crafting policies to assist them in doing so, might be a more reasonable approach to increasing work participation without harming children.

Economic hardship has been linked to a number of adverse educational, health, and other outcomes for children. Low income children are disproportionately exposed to circumstances that pose risks to healthy social and emotional development. Research is increasingly finding that when children grow up in poverty, they are more likely as adults to have lower earnings, and are more likely to engage in crime and have poor health later in life. These outcomes directly impact criminal justice and health care systems costs and lead to a loss of goods and services to the U.S. economy. Those other costs are not acknowledged in the Administration's proposed budget.

An important consideration is learning more about why CalWORKs recipients are not working. As discussed in the March 29 hearing, much more characteristics information is known about the sanctions caseload than about the safety net caseload. Yet even with the sanctions caseload, counties do not necessarily have specific enough information to determine whether a non-compliant or sanctioned CalWORKs recipient has a legitimate barrier to participation or is being willfully non-compliant. The lack of information currently gathered about the safety net population and of understanding the barriers faced by these recipients makes it impossible to formulate policies to increase their work participation while ensuring that their children are not harmed.

Finally, as discussed on March 29, there were significant changes made in the 2006-07 Budget Act as part of California's reauthorization of TANF to increase the work participation of CalWORKs recipients and to encourage a refocused effort by counties on welfare to work. In addition, the Department of Social Services established and continues to convene stakeholder workgroups that are developing funding options, exploring best practices, and sanctions and noncompliance, and improving data collection and work verification.

Questions:

1. Department, please explain the changes in assumptions and the revised estimates for these proposals.
2. LAO, describe the impact of the revised proposals on the work participation rate and the potential impact of rejecting the Administration's proposals.

Staff Recommendation: Reject the Administration's proposals to impose full-family sanctions, restrict safety-net grants, and eliminate grants for children of CalWORKs ineligible parents.

In light of the significant efforts being undertaken at the state and county levels to improve the work participation of CalWORKs recipients as required by the 2006-07 Budget Act, it is premature to make additional dramatic changes in the CalWORKs Program. In addition, any policy changes to improve California's work participation rate should do so by actually putting people to work and not just removing them from the CalWORKs Program (and, therefore, the calculation). Research, and the experience of other states, do not support the Administration's contention that these proposals will increase the work participation of CalWORKs recipients. All the findings from research on child poverty suggest that, although the Administration's CalWORKs budget proposals will result in short-term General Fund savings, the short- and long-term costs resulting from children growing up in poverty could far outweigh those savings.

Issue 1B: County Plans

Description: The 2006-07 Budget Act included \$90 million for county welfare departments to increase the work participation rate. This funding can be used flexibly by counties for such efforts as new or improved engagement strategies, employment and training collaborative programs, and efforts to prevent and cure sanctions. The 2006 budget also requires each county to perform a comprehensive review of its existing CalWORKs county plan and submit a plan addendum detailing how the county will meet the goals of the CalWORKs program, while taking into consideration federal work participation requirements. The plans shall include immediate and long-range actions that the county will take to improve work participation rates among CalWORKs applicants and participants and a description of expected outcomes and how the county will measure those outcomes.

In the March 29 hearing, the Subcommittee discussed the strategies that counties are employing in their plans and heard testimony from the welfare directors from Sacramento and Santa Clara Counties about the activities underway in their counties. These strategies include up-front engagement, welfare-to-work training or working options, linkages to other government programs, sanction prevention and re-engaging noncompliant or sanctioned clients, and measuring progress toward improving work participation rates.

Questions:

1. Department, please provide an update on the review of the county plans.
2. Department, what, if anything, are you doing with the information in the county plans?

Staff Recommendation: Adopt placeholder trailer bill language: 1) requiring the Department of Social Services to review the county plans for promising practices in the areas of upfront engagement and re-engagement of sanctioned families;

gather information on implementation and results of these proposals; and disseminate that information; and 2) require DSS, in conjunction with the County Welfare Director's Association, to review the county plans and work with counties to determine what activities and strategies counties are using to encourage participation among time-limited families, gather information about the characteristics of the time-limited population, and report that information. The information in both cases should be submitted to the Legislature and counties. The Legislature would like to work with the Administration to develop an appropriate time frame for submission of those reports.

Issue 1C: Semi-annual Reporting Trailer Bill Language

Description: In the March 29 hearing, the Subcommittee discussed the Administration's proposed trailer bill language to move from the current quarterly reporting system to semi-annual reporting. Including moving to semi-annual reporting, the trailer bill language requires that recipients report at any time during a semi-annual reporting period of a cumulative increase or decrease in monthly income of \$100 or more.

CalWORKs and Food Stamp advocates and the County Welfare Directors Association have expressed significant concerns regarding the impact of the \$100 income reporting threshold. Department estimates indicate that the \$100 threshold would result in more than a thousand new reports each month, mostly from families who would not have to report under today's rules. These families would lose benefits more quickly because they have to report much more frequently than they do under the current quarterly reporting rules, lowering the incentive for CalWORKs recipients to work and resulting in increased administrative duties for county staff. Under the current quarterly reporting system, the only CalWORKs income reporting threshold is the point at which a family would no longer be eligible for CalWORKs benefits (\$1,671 for a family of three in a high cost county). Advocates and counties suggest that the State seek to minimize reporting requirements, thus minimizing negative impacts to recipients and ensuring the lowest possible increase to county workload. Under a semiannual reporting system, the CalWORKs income reporting threshold that is cost-neutral to the State relative to the existing reporting threshold is \$1,100.

Questions:

1. Department, please describe the rationale for the \$100 income reporting threshold.
2. CWDA, describe the problems with the \$100 income reporting threshold and the rationale for an \$1,100 threshold.

Staff Recommendation: Reject the Administration's trailer bill language and adopt replacement placeholder trailer bill language that will: 1) require counties to redetermine eligibility for recipients of CalWORKs and food stamp benefits on a semiannual basis; 2) establish an income reporting threshold where families must report within the six month period if their income increases by \$1,100 or increases above the CalWORKs or Food Stamp eligibility thresholds; and 3)

prohibit the recoupment of projected Cal-WORKS administrative savings as long as county human services departments do not have sufficient funding to cover the cost of doing business and require settle-up of actual CalWORKs administrative savings with any projected CalWORKs administrative savings.

DSS Issue 2: Child Welfare Services (CWS) Budget Methodology

Description: On May 11, 2007, the Department of Social Services (DSS) released its Child Welfare Services (CWS) Budget Methodology proposal. This report was due to the Legislature on February 1, 2007, with the intent of the Legislature that the budget methodology be implemented in the Budget Act of 2007. This issue was originally discussed by the Subcommittee on March 15, 2007.

Background:

Child Welfare Services Workload Study (SB 2030) Findings: There has been an ongoing effort in the Child Welfare Services (CWS) program to determine how many cases a social worker can carry and still effectively do his or her job. In 1998, the Department of Social Services commissioned the SB 2030 study of counties' caseloads. At the time, the study concluded that for most categories the caseloads per-worker were twice the recommended levels. According to the study, it was difficult for social workers to provide services or maintain meaningful contact with children and their families because of the number of cases they were expected to carry. The report also found that the 1984 standards used by the state were based on outdated workload factors, and did not reflect any additional responsibilities that had been placed on social workers by the state and federal governments. These findings and the minimal and optimal social worker standards proposed by the report have been included in budget discussions regarding staffing standards since the report's release.

Child Welfare Services (CWS) Budget Methodology: As part of the budget process last year, discussions occurred about whether to place the SB 2030 standards in statute with a timeline for achieving them. Instead, the final Budget Act of 2006 required the Department of Social Services to lead a workgroup, including the California Welfare Director's Association, legislative staff, and members of organizations representing social workers, to develop a methodology for budgeting the child welfare services program to meet statutory program requirements and outcomes taking into account the SB 2030 standards.

The proposed budget methodology was due to the Legislature by February 1, 2007, and it was the intent of the Legislature that the budget methodology be implemented in the Budget Act of 2007. The Subcommittee expressed concern in the March 15 hearing that delay in the release of the budget methodology proposal would be problematic because the Legislature would not have time to thoroughly analyze and discuss the proposed methodology at the May Revision. However, that concern proved to be unfounded as the report offered no budget methodology proposal.

Instead, the report offered four recommendations:

1. Work with the California Welfare Director's Association (CWDA) to establish a stable and predictable funding methodology.
2. Work with the CWDA to develop an allocation methodology that addresses funding inequalities caused by the "hold harmless" policy.
3. Share all CWS Program costs on a consistent basis with current sharing ratio.
4. The DSS should begin to study the linkages between populations, poverty, and related demographics and the CWS caseloads.

Essentially, the Administration has recommended that they do what last year's language required them to do. Additionally, the report includes numerous contradictory and unfounded conclusions.

The report concludes that minimum SB 2030 standards are already funded, implying that the standards have merit as a benchmark of funding adequacy. However, the current staffing levels are overstated in the report and the report's calculation of current statewide funding levels includes funding for items that are not core child welfare services activities. The report also points to the counties' investment of \$409 million of local funding beyond the required levels from 2001-02 and 2005-06 as evidence that the minimum standards are funded, rather than recognizing that counties may be backfilling for inadequate state funding levels for a state responsibility. The report is highly critical of the policy to hold counties harmless for reductions in foster care because it has created inequities across counties. However, the "hold harmless" policy is a core component of the Title IV-E waiver demonstration project, which the Administration touts in the report. The report also fails to consider that funding inadequacies may be more of a cause of the inequities than the hold harmless policy.

As part of the work of developing the budget methodology report, the DSS consulted with the Center for Public Policy Research at the University of California, Davis, to conduct an independent review of research including other states' caseload standards. The research showed that California's caseloads are higher than most other states, and it found that the SB 2030 study to be the most extensive and highly regarded effort to date to measure appropriate workload in child welfare. Given the Administration's implicit acceptance of the standards as a benchmark of funding adequacy and rejection of the opportunity to propose an alternative methodology, it seems appropriate to move forward in 2007-08 to implement the SB 2030 standards.

Questions:

1. Department, please describe the findings and recommendations of your report.
2. CWDA, please respond to the report.

Staff Recommendation: Adopt placeholder trailer bill language that would enact over five years the optimal standards reflected in the SB 2030 study as updated to reflect changes in practice to be implemented July 1, 2008.

DSS Issue 3: County Costs for Operating Social Services Programs

Description: The May Revision includes a proposal to enact a budgeting methodology for funding county human services administrative costs tied to the salary and benefit increases provided to state employees and subjected to an annual Budget Act appropriation beginning in 2008-09.

Background: During the April 19, 2007 hearing, the Subcommittee discussed the cost of doing business for counties administering social services programs. During the 1990s, most budgets for county administration of health and social services programs were set through the Proposed County Administrative Budget (PCAB) process. Under PCAB, counties submitted proposed budgets and staffing levels for their programs based on estimated costs, caseload, and workload. These requests included adjustments for inflation. State departments such as the Department of Social Services (DSS) or the Department of Health Services (DHS) then reviewed these proposed budgets to determine if the requests were “reasonable” and “consistent” with current state law and made any necessary adjustments. Under PCAB, administrative budgets reflected increased costs due to workload and inflation.

Since 2001-02, there have been no adjustments to county administrative allocations to account for inflation in any DSS programs. In contrast to the social services programs operated by DSS, county administrative allocations for Medi-Cal have been adjusted annually for inflation through 2006-07.

Assembly Bill (AB) 1808 (Chapter 75, Statutes of 2006), the 2006-07 budget trailer bill, requires DSS to estimate the costs for county administration using county-specific cost factors in the programs’ budget methodology and requires county certification of “reasonable” costs for specified county social services programs. AB 1808 requests DSS to develop, in consultation with CWDA, a survey process to collect reasonable county specific costs data. Commencing with the 2007-08 May Revision, DSS is required to identify in its budget documents the estimates developed and the difference between these estimates and proposed funding levels.

Governor’s May Revision Proposal: The May Revision did include the estimated difference between the funding identified on the counties’ surveys and the funding levels proposed in the May Revision, which is \$835.8 million (\$459.7 million General Fund). In addition, the Administration proposed a budgeting methodology for funding county human services administrative costs. Beginning in 2008-09, an annual adjustment to county administration funding would be provided equivalent to the salary and benefit increases provided to state employees, subject to an appropriation in the annual Budget Act. The proposal would also pass on a share of federal penalties in various social services programs as an incentive for counties to improve services and performance.

While it is positive that the Administration has a proposal to address the unfunded county costs of operating social services programs, there are problems with these specific proposals. The proposed index is unpredictable and making it subject to a budget act appropriation makes it an unstable funding base, contrary to the

Administration's claims. State employee wage increases are not related to individual counties' costs of administering social services programs, and therefore, are an inappropriate index. Furthermore, there may be legal issues in linking county cost increases to state employee wage increases.

Questions:

1. Department, please describe the May Revision proposal.

Staff Recommendation: Reject the proposed trailer bill language. Adopt placeholder trailer bill language to restore the process of budgeting human services programs based on reasonable current costs to deliver services. Increases should be based on a process for estimating reasonable, actual costs; will ensure that county accountability is commensurate with resources provided; and will be sufficient to meet program requirements and objectives.

DSS Issue 4: Transitional Housing Program (THP)-Plus

Description: The May Revision proposes \$15.5 million General Fund in 2007-08 for the Transitional Housing Program (THP)-Plus, the same amount proposed in January. This level of funding is \$19.7 million General Fund less than the amount needed to fully fund counties with existing approved plans, as agreed to in last year's budget negotiations.

Background: As discussed in the March 15, 2007 Subcommittee hearing, THP-Plus provides housing assistance to emancipating foster youth aged 18 to 24. THP-Plus was augmented in the 2006 Budget Act by \$4.2 million General Fund and the county share of cost for the program was removed. This amount was considered a placeholder amount and only sufficient to fund 5 of 17 counties with DSS-approved THP-Plus plans at that time. There are now 44 counties with approved plans in the current and budget years.

The Administration is pursuing legislation to provide an augmentation to the program in the current year of \$10.5 million General Fund to meet this additional demand by the counties for resources. That bill is AB 845 (Bass, Maze, and Sharon Runner, coauthors Ducheny and Perata), which will be voted on the Assembly floor this week. During the March 15 hearing, the DSS indicated that the 2007-08 estimate of total costs would be recalculated at the May Revision. Not only has that recalculation not been done, but the 2007-08 amount would essentially be a cut to the program from the current year once the appropriation in AB 845 is available.

Each year, approximately 5,000 youth emancipate from the foster care system in California; many leave without the resources, skills, or abilities to find safe housing and support. These youth are at a critical juncture and may become homeless, out of school, unemployed, and receive CalWORKs or, with housing and other support, become healthy and productive citizens. Based on the county plans approved by DSS,

many of the estimated 1,215 transitioning foster youth in 44 counties that would have been served in THP-Plus will not have access to needed housing support under the Administration's May Revision proposal.

Questions:

1. Department, why was the agreement to fund DSS-approved THP-Plus programs not upheld in the May Revision?

Staff Recommendation: Approve a \$19.7 million General Fund augmentation to THP-Plus to fund the 44 counties with approved THP-Plus plans.

DSS Issue 5: <i>Gomez v. Saenz</i>

Description: The May Revision proposes \$6.8 million (\$4.3 million) to reflect the settlement of the *Gomez v. Saenz* court case, which requires counties to enact a grievance process to provide due process to any persons wishing to challenge their listing on the Child Abuse Central Index (CACI).

Background: The recently settled *Gomez v. Saenz* court case establishes a grievance process that includes timelines and requirements for notification to individuals listed on the CACI, hearing procedures, opportunity to inspect files, and a requirement that the social worker conducting the investigation be present at the grievance hearing so that the person grieving the listing on the CACI can cross-examine the social worker. This proposed grievance process will result in new workload and is a significant practice change for local child welfare agencies.

The California Welfare Directors Association (CWDA) is concerned, based on their examination of counties that already conduct internal reviews when CACI complaints are filed, that the Administration's estimate understates the staff time for hearings by as much as 42 percent. The CWDA estimates the amount of the resulting funding shortfall could be \$3.6 million (\$1.8 million General Fund).

Questions:

1. Department, please describe the *Gomez v. Saenz* court case settlement.
2. Department, what are the assumptions behind your estimate of the additional costs?

Staff Recommendation: Adopt the May Revision funding level as budgeted. Adopt placeholder trailer bill language to require DSS, in consultation with the County Welfare Director's Association, to track actual county costs to implement the *Gomez v. Saenz* court settlement agreement in the 2007-08 fiscal year. To the extent that actual costs differ from the amount estimated in the budget, the actual costs shall be used to update the premise commencing with the 2008-09 budget.

DSS Issue 6: Foster Care Overpayments

Description: The May Revision proposes \$3.4 million General Fund in 2006-07 and \$906,000 General Fund in 2007-08 to reflect costs to conform to federal regulations that require immediate repayment of the federal share of foster care overpayments as soon as payments have been verified. The May Revision estimates that the county share to conform to these regulations will be \$5.1 million in 2006-07 and \$1.4 million in 2007-08.

Background: The current practice is to repay the federal share of foster care overpayments upon recoupment from foster care providers. The federal government has clarified that it requires repayment of all state and county overpayments currently verified, whether or not the overpayment has been recollected. The proposal by the Administration to comply with the new federal requirement is to share the cost of the repayment with the counties according to the foster care sharing ratio, which is 40 percent state General Fund and 60 percent county funds. The Administration also proposes to retroactively apply that sharing ratio to foster care overpayments dating back to October 2003. Because the 40:60 sharing ratio is already in statute, the Administration asserts it does not need legislation to apply the ratio to repayments or to require repayments according to the ratio retroactively.

The County Welfare Directors Association (CWDA) has expressed concerns with the Administration's proposal. There is no current obligation to collect overpayments retroactively and most prior overpayments are uncollectible. The Administration's authority to administratively require retroactive repayments from the counties is dubious. The process by which CWS/CMS systems changes that would minimize foster care provider overpayments are approved is lengthy and counties do not have access to existing CWS/CMS data that would help minimize overpayments. Furthermore, although they agree conceptually with sharing the cost of the repayments with the State, they object to being required to repay overpayments from which they are prohibited from collecting due to a lawsuit or existing statute.

Questions:

1. Department, please explain the Administration's proposal.
2. Department, what is your authority for imposing a county share of retroactive repayments?

Staff Recommendation: Reject the May Revision proposal. Adopt placeholder trailer bill language that: 1) rejects any retroactive cost-sharing of foster care overpayments; 2) requires DSS to work with the CWDA to develop a fair approach to state/county cost sharing of overpayments on a prospective basis, including repayment for legally uncollectible overpayments; 3) requires DSS to clarify policy and adopt regulations where lacking for the collection of overpayments; 4) requires DSS to gather and disseminate information and support county best practices for the prevention and recovery of overpayments; and 5) requires DSS and the Office of System Integration to work with CWDA to complete expedited approval of county requests to modify or implement automation systems

designed to minimize overpayments and to provide counties with needed data from the CWS/CMS system to minimize overpayments.

Although a sharing between the state and county of repayments of foster care overpayments is reasonable, the authority to do should be explicitly provided in statute and only on a prospective basis. While the Administration argues that counties are responsible for making the overpayments and should share in the repayment in all situations, it is unfair to not provide counties with the assistance and tools that they need to prevent the overpayments from occurring in the first place.

DSS Issue 7: Care Rates for Children Served by Dual Agencies

Description: The May Revision includes a new proposal to clarify the rate structure for children who are regional center consumers and in receipt of either Aid to Families with Dependent Children-Foster Care (AFDC-FC) or Adoption Assistance Payments (AAP) benefits (call “dual agency” children). The proposal is estimated to avoid costs of \$25 million (\$7 million General Fund) in 2007-08 and an additional \$130 million (\$42 million General Fund) in 2008-09.

Background: Under current law, the care and supervision rate provided to children who are eligible for regional center services and who are receiving AFDC-FC or AAP rates is linked to the ARM rate provided by regional centers to vendorized group home facilities servicing children with developmental disabilities. During the past few years there has been increased confusion regarding the process for determining an appropriate rate for the cost of care and supervision received by dual agency children, leading to a series of lawsuits throughout the state. Increasing numbers of foster parent and adoptive parents have requested administrative hearings to resolve rate disputes and have postponed finalization of adoptions pending resolution. Due to decisions from Administrative Law Judges increasing the rates originally set by the regional center for dual agency children to the maximum allowable, \$5,139. As a result, there is pressure to initially set the rates at the maximum allowable, regardless of the individual needs of the child.

The May Revision proposal would fix the amount that dual agency children could receive for board and care under AFDC-FC and AAP to \$2,006 per month for dual agency children three years of age or older and \$898 per month for dual agency children under three years of age. Existing foster and adoptive families currently at rates above \$2,006 per month would be permitted to maintain their higher rate and existing families currently below \$2,006 per month would be raised to that rate. Dual agency children would continue to be eligible for all regional center services to which they are statutorily entitled.

The proposal would provide clarity in the rate setting process and the roles of county welfare departments and regional centers, provide statewide consistency in the setting of rates for dual agency children, facilitate the finalization of adoptions, and assist in resolving pending litigation. Furthermore, it protects the State from potentially

significant repayment of Title IV-E funds to the federal government. Title IV-E funds are prohibited from being used for purposes other than board and care and current rate setting process in California is based on treatment and other needs of the child beyond board and care. The regional center system is the required and appropriate entity to all other necessary services and supports. The federal government has recently increased the scrutiny of the general use of Title IV-E funds by California.

Although the Administration's proposal was developed in conjunction with the California Welfare Directors Association (CWDA) and the Association of Regional Center Agencies (ARCA), the Alliance for Children's Rights, Public Counsel, and Protection and Advocacy, Inc., are opposed. They argue that the proposal excluding an examination of each child's needs in the setting of the rate violates federal and state law, the proposed \$2,006 rate would cut in half the funding received by children with the most severe disabilities and would be a disincentive for families to adopt these hard-to-place children, and the proposal has had no public discussion and was not developed in conjunction with advocacy organizations.

The advocacy organizations are rightly concerned about the timing of this policy. Regardless of perspectives on the appropriateness of the proposed policy, it is a significant change to current policy and should have been discussed through the policy and budget processes. It is unclear why this proposal and the associated caseload estimates were not included in the January budget given that it is virtually identical to one that the Administration tried to enact at the end of the last legislative session, but ultimately withdrew in large part because of the lack of time to completely vet the proposal with stakeholders. The timing of the proposal puts the Legislature in a difficult position: either adopt the proposal with virtually no review and public discussion or face large fiscal consequences.

It is true that these dual agency children are among the most challenging to place in foster care and adoptive families and that the higher rate would be a benefit to those families. It is also important to remember that the rate at issue is for board and care only. Dual agency children are still entitled to an individual evaluation of their needs by a regional center and are entitled to receive all the services identified as part of the individual evaluation. The State needs to ensure that the regional center system is fully accessible to dual agency children and that they receive needed services in a sufficient and timely manner.

Questions:

1. Department, please describe the May Revision proposal.
2. Department, what is your response to questions regarding the legality of the proposal? What did your legal analysis conclude?
3. Department, why did the Administration wait until the May Revision to introduce this proposal?

Staff Recommendation: Approve as budgeted and amend trailer bill language to: 1) strengthen the grandfather provisions; 2) require DSS to collect information on the number of adoptions of dual agency children prior to and after

implementation of the proposal; 3) require DDS to collect information over a corresponding period of time on how services provided by regional centers changed for these dual agency children and whether there was an increase in the number of appeals related to dual agency children; and 4) require DSS and DDS to submit a joint report with this information back to the Legislature. The Legislature would like to work with the Administration to develop an appropriate time frame for submission of those reports.

DSS Issue 8: Foster Care Payment Methodology

Description: Over the past five years, subject to rising costs and outdated methodologies, foster caregivers of all types (foster family homes, foster family agencies, and group homes) have found that they cannot afford to continue. The current Rate Classification Level (RCL) system for group homes, as an example, includes only \$7.83 per hour for the wages of entry-level child care workers, less than the \$8.00 minimum wage that will go into effect on January 1, 2008. Group homes find it impossible to recruit and retain qualified and dedicated staff at those payment levels

The fiscal and staffing problems faced by group homes and other foster caregivers that force them to leave the field are of particular concern as it relates to juvenile offenders. A large number of counties do not have adequate local options to address the needs of their juvenile offenders. This is not only a deficiency in infrastructure, but there is also a lack of resources and current capacity to provide certain specialized services to juvenile offenders. As a result, counties are forced to rely upon the state juvenile justice facilities for residential placements.

Staff finds that more needs to be done to strengthen the continuum of options available for juvenile offenders. Group homes play a critical role in that continuum. A proposal by the California Alliance of Child and Family Services to update foster care payment methodologies would address the needs of foster care providers, including group homes. This proposal would:

- Provide a 5 percent increase to county foster family home base rates and specialized care increments.
- Provide a 5 percent increase to each component of the FFA rate, including the basic rate, child increment, social work services, and recruitment, training and administration.
- Increase the amount built into the group home RCL system for entry level child care workers by 5 percent from \$7.83 per hour to \$8.22 per hour and increasing the percentage included for payroll taxes and employer paid benefits from 20 percent and 24 percent.

The updated payment methodology is estimated to cost \$22 million General Fund.

Questions:

1. Department, please briefly describe the Rate Classification Level system.
2. California Alliance, please describe the current challenges faced by foster caregivers and the impact they are having on California's foster care system.
3. California Alliance, describe your payment methodology proposal. What are the expected effects if this proposal is adopted?

Staff Recommendation: Provide \$22 million General Fund and adopt placeholder trailer bill language updating the foster care methodology for all types of foster care providers (foster family homes, foster family agencies, and group homes) to address cost increases associated with caregiver recruitment and retention, minimum wage changes, payroll tax increases, higher benefit costs, and specialized care requirements.

0530 Health and Human Services Agency – Office of System Integration (OSI)

OSI Issue 1: Various May Revision Automation Requests

Description: The May Revision proposes significant changes to four automation systems.

Issue 1A: Child Welfare Services/Case Management Systems (CWS/CMS) Technical Change

Description: It is requested that \$117,000 be redirected within Item 0530-001-9732 to continue 5.0 limited-term positions for three months. The authorization for these positions currently expires on March 31, 2008. This technical adjustment is necessary in order to evaluate the ongoing need for these limited-term positions during the 2008-09 budget process. All costs associated with the positions will be redirected from within existing resources.

Although this request does appear to be technical, staff did not have sufficient time to analyze the request. It should be noted that the Administration knew about this situation in time to request the adjustment in both the Governor's Budget in January and spring finance letter process in April. There is no apparent reason for the Administration to have waited until the May Revision to submit this request.

Questions:

1. OSI, please describe this request.
2. OSI, why did you wait until the May Revision to submit this request?

Staff Recommendation: Approve the redirection of \$1,000 for this request to put the item into conference committee to give staff an opportunity to analyze the request.

Issue 1B: Case Management, Information, and Payrolling Systems II (CMIPS II)

Description: The May Revision requests that item 0530-001-9732 be reduced by \$1,622,000 to transfer this funding and associated position authority to the Department of Social Services (DSS), as DSS will need these positions for implementation of the system. In addition, the May Revision requests that language be added to Item 0530-001-9732, to allow the Department of Finance to augment the amount available for expenditure in this item to pay for new contract costs and other costs associated with CMIPS II implementation, subject to legislative notification. These costs are currently unknown, as contract negotiations will not be completed until at least July 2007. The proposed language would allow negotiations to continue, while not further

delaying planning and implementation activities. Although this language was included in the 2006 Budget Act, it was not proposed in the 2007-08 Governor's Budget because not enough information was available at the time to confirm the authority would be needed again in 2007-08. Further, the May Revision requests that 6.0 limited-term positions be extended for one additional year for the purpose of continuing system planning activities and cost negotiations. All costs associated with the positions will be redirected from within existing resources.

The May Revision also requests an increase of \$412,000 (\$206,000 General Fund and \$206,000 Reimbursements) and 4.0 one-year limited term positions for the Department of Social Services to continue planning and procurement activities for the Case Management Information and Payrolling System II (CMIPS II) project. It is requested that resources be transferred from local assistance to fund this effort.

The Subcommittee originally discussed the CMIPS II system in the April 19, 2007 hearing and held the item open pending updated information resulting from the contract negotiations. Instead of having complete information upon which to build the 2007-08 budget, however, the contract negotiations are taking longer than was indicated in the April 19 discussion. While the delay in this case may be beyond the Administration's control, the Legislature is left in the position, due to the timing, of having to provide authority to the Administration to make project decisions mid-year without more direct input of the Legislature.

Questions:

1. OSI, please describe the proposed May Revision adjustments.
2. LAO, have you had an opportunity to do a complete review of the request and what is the outcome of that review?

Staff Recommendation: Approve the reduction of \$1,000 from Item 0530-001-9732 and the transfer of \$1,000 to 5180-111-0001 for these requests to put the item into conference committee to give staff an opportunity to analyze the requests.

Issue 1C: CalWORKs Information Network/Welfare Client Data System

Description: The May Revision requests a decrease of \$40,472,000 (\$15,252,000 General Fund, \$16,760,000 Federal Trust Fund, and \$8,460,000 Reimbursements) to reflect a change from implementation to maintenance and operations for the CalWORKs Information Network/Welfare Client Data System.

This is a significant change in the maintenance and operations of this system. The Administration did not provide any indication to the LAO or legislative staff at the Governor's Budget or during the spring finance letter process that this reduction would be coming. While it is good that the changes result in General Fund savings rather than costs, it is disturbing that such large swings in project costs could go unanticipated.

Questions:

1. OSI, please describe the reason for the decline in maintenance and operations costs.
2. OSI, when were you aware of the lower costs?

Staff Recommendation: Approve a decrease of \$1,000 to put the item into conference committee to give staff an opportunity to analyze the request.

Issue ID: Interim Statewide Automated Welfare System Migration

Description: The May Revision requests an increase of \$36,574,000 (\$16,039,000 General Fund, \$11,638,000 Federal Trust Fund, and \$8,897,000 Reimbursements) to complete Interim Statewide Automated Welfare System Migration planning and to begin implementation activities.

As with many of the previous requests, the timing of this proposal has made it impossible for legislative staff and the LAO to meaningfully review the proposal. This is particularly important in this case because of the magnitude of the cost increases. Neither the LAO nor legislative staff was given an indication that these costs would be coming so late in the year.

Questions:

1. OSI, please describe the May Revision request and the reasons for the increased costs.
2. OSI, was the magnitude of the cost increase anticipated?
3. LAO, have you had an opportunity to do a complete review of the request and what is the outcome of that review?

Staff Recommendation: Approve an increase of \$1,000 to put the item into conference committee to give staff an opportunity to analyze the request.